

## PRODUCT KEY FACTS



Vanguard FTSE Japan Index ETF  
a sub-fund of VANGUARD ETF SERIES

Vanguard Investments Hong Kong Limited

30 April 2021

- ***This is a passive exchange traded fund.***
- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Prospectus.***
- ***You should not invest in this product based on this statement alone.***

### Quick facts

<b>Stock code:</b>	3126 – HKD Counter 83126 – RMB Counter 9126 – USD Counter
<b>Trading board lot size:</b>	100 Units – HKD Counter 100 Units – RMB Counter 100 Units – USD Counter
<b>Manager:</b>	Vanguard Investments Hong Kong Limited
<b>Investment Advisor:</b>	Vanguard Investments Australia Ltd (based in Australia, internal delegation)
<b>Trustee:</b>	State Street Trust (HK) Limited
<b>Registrar:</b>	State Street Trust (HK) Limited
<b>Underlying Index:</b>	FTSE Japan Index (“ <b>Underlying Index</b> ”)
<b>Base Currency:</b>	Hong Kong dollars (“ <b>Base Currency</b> ”)
<b>Trading Currency:</b>	Hong Kong dollars – HKD Counter Renminbi – RMB Counter US dollars – USD Counter
<b>Ongoing charges over a year*:</b>	0.18% per annum of the Net Asset Value of the Vanguard FTSE Japan Index ETF (“ <b>Sub-Fund</b> ”)
<b>Tracking difference of the last calendar year**:</b>	0.04%
<b>Financial year end of this Sub-Fund:</b>	31 December
<b>Distribution Frequency:</b>	Quarterly (in March, June, September, December) – at the Manager’s discretion***
<b>Website:</b>	<a href="http://www.vanguard.com.hk">www.vanguard.com.hk</a> <sup>1</sup>

<sup>1</sup> This website has not been reviewed by the SFC.

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\* *The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund for the financial year ended on 31 December 2020. The figure is expressed as a percentage of the Sub-Fund's average Net Asset Value. It equals the management fee as set out in the section "Ongoing fees payable by the Sub-Fund" in this statement and includes, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not represent the estimated tracking error of the Sub-Fund. The ongoing charges figure does not cover (to the extent not included in the operational fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to participating dealers, brokerage fees, transaction fees, stamp duty or other duties and charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the fund assets of the Sub-Fund. The figure may vary from year to year.*

\*\* *This is the actual annual tracking difference of the last calendar year. Investors should refer to the Sub-Fund's website for more up-to-date information on the actual tracking difference.*

\*\*\* *The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether traded in HKD, RMB or USD) will receive dividend distributions in the base currency only (i.e. HKD).*

## **What is this product?**

The Sub-Fund is a sub-fund of the Vanguard ETF Series, which is an umbrella unit trust established under Hong Kong law. The units of the Sub-Fund ("**Units**") are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). The Sub-Fund is a passively managed index-tracking exchange traded fund falling under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds. The Units of the Sub-Fund are traded on the SEHK like listed stocks.

## **Investment Objective and Investment Strategy**

### **Investment Objective**

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

### **Investment Strategy**

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of securities, designed to seek to track the performance of the Underlying Index. The Manager may use either a "Replication Strategy" (by investing all or substantially all of its assets in securities which are, at the relevant time, the constituent securities of the Underlying Index ("**Index Securities**"), broadly in proportion to the respective weightings of the constituents) and/or a "Representative Sampling Strategy" (by investing in a portfolio featuring high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a "Representative Sampling Strategy". In the event the Manager wishes to switch between a "Replication Strategy" and a "Representative Sampling Strategy", or adopt any strategy other than a "Replication Strategy" or a "Representative Sampling Strategy", prior approval will be obtained from the SFC and not less than one month's prior notice will be given to Unitholders.

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### Investment Policies

In seeking to track the Underlying Index, the Sub-Fund may invest in financial derivative instruments (“**FDI**”), such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDI would exceed 10% of the latest available net asset value (“**Net Asset Value**”) of the Sub-Fund.

While the Sub-Fund attempts to be fully invested each day, the Sub-Fund may also invest in not more than 5% of the latest available Net Asset Value of the Sub-Fund in short-term, high quality money market instruments (including government securities or bank certificates of deposits) and/or money market funds for cash management purposes.

The investment strategies above are subject to the investment and borrowing restrictions set out in the Prospectus and the additional limits as set by the above investment policies.

### Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager’s intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to the unitholders of the Sub-Fund (“**Unitholders**”).

### Underlying Index

The Underlying Index (Index Code: WIJPN) was launched on 31 December 1993 and is derived from the broader FTSE Global Equity Index Series. As at 9 April 2021, the Underlying Index comprises 507 large and mid-capitalised companies listed on the Tokyo Stock Exchange with total market capitalisation of approximately HK\$35,085,145 million. The base date of the Underlying Index is set at 31 December 1986. The Underlying Index is denominated and quoted in Hong Kong dollars and is a total return, free float market capitalisation index.

FTSE International Limited (“**FTSE**”) is the index provider of the FTSE Japan Index. The Manager and its connected persons are independent of FTSE.

For details of the Underlying Index (including its constituent securities and their respective weightings), please refer to the index website at <http://www.ftse.com><sup>1</sup>, and at: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA><sup>1</sup>.

### Use of derivatives / investment in derivatives

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

## What are the key risks?

Investment involves risks. Please refer to the Prospectus for details, including the risk factors.

### 1 General Investment Risk

There can be no assurance that the Sub-Fund will achieve its investment objective. The Net Asset Value of the Sub-Fund may fall in value due to any key risk factors below and your investment in such Sub-Fund may suffer losses. There is no guarantee of the repayment of principal or any return on your investment.

### 2 Equity Market Risk

The investments of the Sub-Fund in equity securities are subject to general market risks, whose value fluctuates due to various factors, such as changes in investment sentiment, political and economic conditions, issuer-specific factors and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

### 3 Currency Risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the Base Currency of the Sub-Fund. The Sub-Fund also has Units traded in RMB and USD. The Net Asset Value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.

### 4 Concentration of Underlying Index

The Underlying Index and the investments of the Sub-Fund may be concentrated in securities in particular jurisdiction or market. Changes in specific economic or political conditions that affect the relevant jurisdiction or market, and changes in general economic or political conditions can adversely affect the value of securities and result in price volatility. Such changes may have a negative impact on the securities held by the Sub-Fund.

### 5 Investment Style Risk

There is a chance that returns from the types of stocks in which the Sub-Fund invests will trail returns from the overall stock market. Specific types of stocks tend to go through cycles of doing better, or worse, than the stock market in general.

### 6 Passive Investment Risk

The Sub-Fund is passively managed and the Manager will not have the discretion in adapting to market changes due to the inherent investment nature of the Sub-Fund. Falls in the Underlying Index are expected to result in corresponding falls in the value of the Sub-Fund.

### 7 Government Intervention and Regulatory Risks

The value of the Sub-Fund may be negatively affected by factors such as international political developments, government intervention, changes in a country's government policies, taxation, restrictions on foreign investment, currency decisions, other decisions in applicable laws and regulations, or any natural disasters, wars, threat of war, local or regional conflict, economic instability or political upheaval, which will weaken a country's securities markets. In addition, certain governments or regulators may intervene in financial markets by imposing trading restrictions, such as a ban on "naked" short selling or other types of investment activities.

**8 Tracking Error Risk**

The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. The Manager will monitor and seek to manage such risk in minimising tracking error. Although the Manager will regularly monitor the level of correspondence of the performance of the Sub-Fund with the performance of the relevant Underlying Index (i.e. the “tracking accuracy”), there is no assurance that the Sub-Fund will achieve any particular level of tracking accuracy and/or no guarantee or assurance of exact or identical replication by the Sub-Fund at any time of the performance of the relevant Underlying Index due to, amongst others, the fees and expenses of the Sub-Fund and/or the liquidity of the market.

**9 Termination Risk**

The Sub-Fund may be terminated early in certain circumstances, for example (i) where the Manager goes into liquidation; (ii) there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable); (iii) the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Fund; (iv) the licence to use the Underlying Index to create the Sub-Fund is terminated and/or (v) the Underlying Index ceases to be compiled or published and there is no replacement index or the Sub-Fund ceases to be authorised by the SFC. Investors may suffer loss when the Sub-Fund is terminated.

**10 Trading Risk**

Generally, retail investors can only buy or sell Units on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to its Net Asset Value. As retail investors will pay certain charges (ie trading fees and brokerage fees) to buy or sell units on the SEHK, retail investors may pay more than the Net Asset Value per Unit when buying a Unit on the SEHK and may receive less than the Net Asset Value per Unit when selling a Unit on the SEHK.

The Units in the RMB counter are RMB denominated securities traded on the SEHK and settled in the CCASS. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units. The limited availability of RMB outside the PRC may also affect the liquidity and trading price of the RMB traded Units.

**11 Reliance on Market Makers**

Although the Manager will ensure that at least one market maker will maintain a market for the Units traded in each counter and that at least one market maker to each counter gives not less than 3 months’ notice prior to terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the HKD, RMB or USD traded units. There is also no guarantee that any market making activity will be effective.

In addition, there may be less interest by potential market makers in making a market in Units denominated and traded in RMB. Any disruption to the availability of RMB may adversely affect the capability of the market makers in providing liquidity for the RMB traded Units.

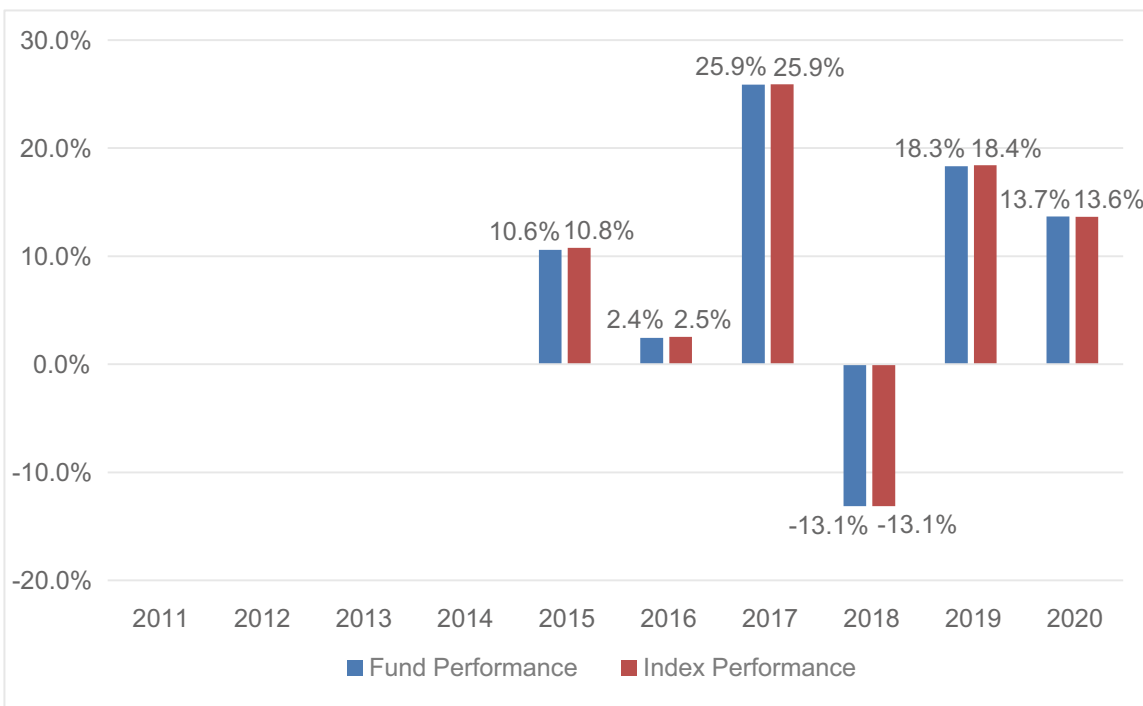
**12 Risks related to investing in Japan**

The Sub-Fund will concentrate its investment in the Japanese securities market which may be subject to a higher level of risks compared to investing in a more diversified portfolio/strategy. Investment in the Japanese securities market may involve a greater risk of loss than investing in other markets and may result in a higher risk of loss to the Sub-Fund. Changes in governmental regulations on trade, changes in the exchange rate of the Japanese yen, decreasing imports or exports, and/or an economic recession in Japan may have a significant adverse effect on the Japan economy. Such changes may have a negative impact on the Securities held by the Sub-Fund.

**13 Multiple Counter Risk**

If there is a suspension of the inter-counter transfer of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their Units in one counter only, which may inhibit or delay an investor dealing. The market price of Units traded in each HKD, RMB and USD counter may deviate significantly from one another. As such, investors may receive less or pay more than the equivalent amount in the currency of another counter.

**How has the Sub-Fund performed?**



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance of the Sub-Fund is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Where no past performance is shown, there was insufficient data available in that year to provide performance. Performance data has been calculated in Hong Kong Dollars including ongoing charges and excluding your trading costs on SEHK.
- Sub-Fund launch date: June 2014

**Is there any guarantee?**

The Sub-Fund does not have any guarantees. You may not get back the amount of money you invest.

**What are the fees and charges?**

*Please refer to the section (Fees and Expenses) of the Prospectus for details of other fees and expenses applicable to the creation and redemption of Units.*

**Charges incurred when trading the Units of the Sub-Fund on SEHK**

Fee	What you pay
<b>Brokerage Fee</b>	At each broker's discretion
<b>Transaction Levy</b>	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
<b>Trading Fee</b>	0.005% of the trading price of the Units, payable by each of the buyer and the seller
<b>Inter-counter transfer Fee*</b>	HKD 5
<b>Stamp Duty</b>	Nil

*\* HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.*

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the Net Asset Value which may affect the trading price.

Annual rate (as a % of the Sub-Fund's Net Asset Value)	
<b>Management Fee*</b>	0.18% per annum
<b>Manager's Fee</b>	The manager's fee is included as part of the Management Fee.
<b>Trustee Fee</b>	The trustee fee is included as part of the Management Fee.

*\* The Management Fee is the sum of the anticipated charges to the Sub-Fund and includes the ongoing fees payable out of the Sub-Fund, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. As the Management Fee is a single fixed rate, the ongoing charges figure of the Sub-Fund will be equal to the Management Fee.*

**Other fees**

You may have to pay other fees when dealing in the units of the Sub-Fund. Please refer to Appendix 1 ("**Sub-Funds**") of the Prospectus for details of other fees and expenses applicable to the creation or redemption, or dealing in Units.

## **Additional Information**

You can find the following information of the Sub-Fund at [www.vanguard.com.hk](http://www.vanguard.com.hk)<sup>1</sup>, in both English and Chinese:

- The Sub-Fund's Prospectus, including the product key facts statement (as revised from time to time)
- The most recent audited annual and unaudited semi-annual reports of the Sub-Fund (available in English only)
- The last Net Asset Value of the Sub-Fund in HKD only, and the last Net Asset Value per Unit of the Sub-Fund (in HKD, RMB and USD) (updated on a daily basis)
- The Dealing Days (as defined in the Prospectus) for the Sub-Fund
- Near real-time indicative Net Asset Value per Unit of the Sub-Fund throughout each Dealing Day in HKD, RMB and USD (updated at least every 15 seconds during trading hours)
- Any public announcements or notices made by the Vanguard ETF Series and the Sub-Fund, including information regarding the Sub-Fund or the Underlying Index, the suspension of creation and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading, and notices relating to material alterations or additions to the Prospectus or the constitutive documents of the Vanguard ETF Series
- Full holdings information of the Sub-Fund (updated on a monthly basis within one month of the end of each month)
- The latest list of participating dealers and market maker(s) of the Sub-Fund
- The last closing level of the Underlying Index (in Base Currency)
- The ongoing charges figure and the past performance information of the Sub-Fund
- The tracking difference and tracking error of the Sub-Fund

The near real time indicative Net Asset Value per Unit in HKD, RMB and USD and the last Net Asset Value per Unit in RMB and USD are indicative and for reference only. The near real time indicative Net Asset Value per Unit in RMB and USD uses a real time exchange rate between HKD and each of the RMB and USD. It is calculated using the near real time indicative Net Asset Value per Unit in HKD multiplied by the real time exchange rate provided by ICE Data Services for RMB and USD.

The last Net Asset Value per Unit in RMB and USD are calculated using the last Net Asset Value per Unit in HKD multiplied by the WM Reuters at 4:00 p.m. (London time)\* rate for RMB and USD respectively for that Dealing Day. Please refer to the Prospectus for details.

*\* Please note 4:00 p.m. (London time), (i) during British Summer Time is equivalent to 11:00 p.m. (Hong Kong time); and (ii) otherwise is equivalent to 12:00 a.m. (Hong Kong time).*

Investors should note that the websites referred to in this product key facts statement have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

## **Important**

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.